

Message Text

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51

ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 AGR-20 TRSY-11 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SP-03

COME-00 AID-20 DRC-01 NEAE-00 OMB-01 L-03 H-03 /117 W

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P R 221130Z APR 74

FM AMCONSUL KARACHI

TO SECSTATE WASHDC PRIORITY 8044

AMEMBASSY ISLAMABAD PRIORITY

INFO AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: UREA FERTILIZER PRICE INCREASE

REF: KARACHI 0737

1. LEADING KARACHI DAILY "DAWN" CARRIED BRIEF ARTICLE ON FRONT PAGE OF SUNDAY, APRIL 21ST ISSUE, STATING GOP, AS OF APRIL 20TH,

HAD ANNOUNCED INCREASED PRICES AT WHICH FERTILIZERS WILL BE SOLD, WITH IMMEDIATE EFFECT. "DAWN" NOTED FEDERAL MINISTRY FOR FOOD AND AGRICULTURE HAD STATED IN PRESS NOTE THAT "GOP HAD BEEN COMPELLED TO FIX THE NEW PRICES IN VIEW OF ABNORMAL INCREASE IN INTERNATIONAL PRICE OF FERTILIZERS, WHICH ARE HEAVILY IMPORTED BY PAKISTAN." "DAWN" FURTHER NOTED PRICE INCREASE OF UREA FERTILIZER TO RS. 75 PER 110 LB BAG FROM PREVIOUS PRICE OF RS. 55.

2. GEORGE SWEENEY OF ESSO EASTERN CONFIRMED UREA PRICE INCREASE TO CONGENOFF THIS MORNING, NOTING THAT PRICE PER TON HAD INCREASED TO RS. 1500 FROM FORMER PRICE OF RS. 1100 (WHICH WORKS OUT TO EFFECTIVE NEW PRICE OF RS. 75 PER BAG) AS HE HAD PREDICTED TO DPO ON APRIL 19. LAST WEEK, HE SAID, FERTILIZER SHIPMENTS FROM ESSO AND OTHER PLANTS HAD BEEN STOPPED TO PREVENT UNUSUAL

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PURCHASES IN ANTICIPATION PRICE INCREASE. THIS ACTION IN

ADDITION TO EARLIER SHORTAGE RAILWAY CARS HAS NOW RESULTED IN INVENTORY BUILDUP AT KHARKI PLANT TO OVER 10,000 TONS AND, AT HERCULES LAHORE PLANT TO OVER 60,000 TONS, WITH HALF OF INVENTORY IN OUTSIDE UNPROTECTED STORAGE.

3. SWEENEY CONFIRMS OUR ASSUMPTION THAT NEW PRICE ON RETAIL

MARKETSIMPLY MEANS THAT, AT LEAST FOR MOMENT, "DEVELOPMENT SURCHARGE" WILL BE INCREASED BY FULL AMOUNT OF PRICE INCREASE AND DOES NOT IN ITSELF IMPLY ANY PRICE INCREASE FOR FERTILIZER PRODUCING PLANTS. HOWEVER, SWEENEY REASONS, WITH APPARENT LOGIC, THAT APRIL 20 RETAIL PRICE INCREASE OF ABOUT 36 PERCENT LENDS MUCH WEIGHT TO HIS REQUEST, ALREADY MADE TO GOP ON JANUARY 10, 1974, FOR UREA PRICE INCREASE OF RS. 177 PER TON OR ABOUT 26 PERCENT TO NEW LEVEL OF RS. 854 PER TON (SEE REFTTEL) ON BASIS OF FERTILIZER PRICE INCREASES IN U.S. AS PROVIDED BY CONTRACT BETWEEN ESSO AND GOP.

4. SWEENEY AS WELL AS DAWOOD HERCULES OFFICIALS ATTEMPTING TO SEE SECRETARY GENERAL FINANCE A.G.N. KAZI TO DISCUSS WITH HIM URGENTLY THE CASE FOR CONCOMITANT INCREASE IN UREA PRICE TO PRODUCING PLANTS. SWEENEY HOPES TO SEE KAZI BEFORE LATTER LEAVES COUNTRY FOR MEETING IN KUALA LUMPUR.

5. COMMENT: CONGEN AGREES PSYCHOLOGICAL CONDITIONS FOR PRODUCERS' PRICE INCREASE FOR UREA GREATLY STRENGTHENED BY RETAIL PRICE INCREASE AND HENCE BELIEVE SWEENEY'S PRESENT OPTIMISM OVER INCREASED CHANCES FOR HIS LONG REQUESTED AND LONG DELAYED PRICE INCREASE IS WELL FOUNDED. ONLY INDIRECT REPLY TO ESSO REQUEST RECEIVED SO FAR HAS BEEN INFORMAL GOP ALLUSIONS TO POSSIBILITY OF INVOKING "FORCE MAJEUR" AS BASIS REFUSAL GRANT REQUESTED INCREASE. ANY ATTEMPT BY GOP BASE FAILURE GRANT PRODUCER PRICE INCREASE ON "FORCE MAJEUR" GROUNDS WOULD NOW BE EVEN MORE FARFETCHED THAN IT WAS BEFORE APRIL 20 RETAIL PRICE INCREASE.

TIGER

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